

Good Morning, I am Debbie Pellow Chair of the Marquette County Board. With me today:

Gerry Corkin, Marquette County Board Member
Joe Derocha Humboldt Township Supervisor
Scott Erbisch Marquette County Administrator
Bob Nardi MARESA
Jackie Lykins Deputy Equalization Director
Steve Adamini County Civil Council
Alvar Maki Michigamme Township Supervisor
Jack Vancoevering Miller Canfield

On behalf of Marquette County we appreciate the opportunity to speak before you on House bills 6007 through 6012.

With your permission we will start with a couple of opening comments and then proceed with some specific comments on the bills you have before you.

Nearly 11 months ago when we inadvertently discovered that the state was considering changing how non-ferrous mines would be taxed, considering a move from an ad-valorem tax structure to a severance tax, we became deeply involved. We are opposing the current version of the bill.

Marquette County has spent hundreds of hours and financial resources working with the Governor's administration, Rep. Huuki, Sen. Casperson and the mining industry to come up with a severance tax that would be SIMPLE, TRANSPARENT AND ENCOURAGE FUTURE MINING in the Upper Peninsula.

Knowing that the ad-valorem process of taxation for non-ferrous mining has some challenges, and that a well written severance tax could potentially simplify the taxation process, it has encouraged all of us to be engaged in working for a new and better taxing system for non-ferrous mining.

From the very beginning we (the local units of government and schools) were promised that we would be kept whole and held harmless with the amount of tax that we would have received under the current system with any new type of taxation system.

We, the local units of government and the schools, understand the reasons to move towards a severance tax, but this tax should be written in such a way that it holds the locals harmless and makes sense to the mines and state. As currently drafted, the severance tax does not do that and in some sections is difficult to understand.

The day after the election we met with the Governor's Administration team and they presented us with their idea of a new severance tax. In theory it was NOT

BAD. 2.75% on the gross sales, no deductions (County supports), a 64/40 split between the locals and the RD fund (does not hold the locals harmless), local collection (Marquette County supports) and the Humboldt Mill would be included (Marquette County does not support. Inclusion of the mill was in contrast to previous discussions with state officials). Were we 100% happy? NO. But over all it was a very good starting point.

Imagine if you will our shock when these bills were introduced the very next day and did not include all of the items listed above and it also included property and lands that were never included in any hold harmless calculation. This was frustrating after all of the hard work spent by all to this point.

It would appear that some of the Administrations ideas were injected into an early version of Rep Huuki's severance tax bill which in our opinion just makes this bill more convoluted and quite frankly, parts are as clear as mud.

We would also like to go on record requesting that the Rural Development Commission consist of 3 members from the Upper Peninsula and that the language on page 7 section 7 (2) (c) be stricken from the act. The transfer of up to \$250,000.00 annually from the RD fund to the nonferrous metallic mineral surveillance fund only depletes monies which are badly needed for infrastructure in rural areas of Michigan and which is and should be the intent of the RD fund.

Questions to ask yourself is why should Marquette County subsidize rural development in, for example Roscommon? Also, as drafted the severance tax bill as drafted does not hold the locals harmless. The up-to-\$250,000 coming from the Rural Development fund are dollars that should have been provided to the locals.

In closing I would again like to thank you for your time this morning and ask that you listen and consider the comments from our team before voting on this very important issue. We need to take the time to deliberate because mistakes were made crafting the current business tax.